Consumers feel less is best in SDs today

by Jeffrey Schussler
president, Syfo Water Co.

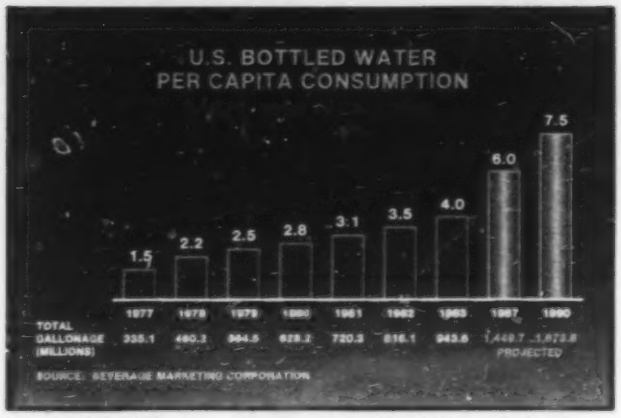
Not too many years ago the most pressing problems facing soft drink bottlers were product package selection and transshipping. And, of course, maximizing shelf space and developing store promotions.

Today, it is a whole new game. No longer is cola the main player with a few allied flavors like orange, root beer and a couple of mixers. Now it is son of cola and son of son of cola.

Now we package and market sugar-free, caffeine-free, salt-free, saccharin-free and no artificial ingredients. This dramatic fragmentation is affecting our inventories, shelf space, budgets, market position and share. It is causing the most monumental and rapid changes our business has ever seen. We are asking ourselves: "What does the consumer want in a beverage? What are we selling?"

Those who address the problem are finding broad opportunities for new products and profits, along with increased market advantage.

The cause of all this shifting and churning of product characteristics is the changing attitudes of our evolving consumer of the '80s.



They want beverages they perceive as healthy, non-fattening, non-artificial, pure, without sugar, without saccharin, mineral-free, salt-free, caffeine-free. Today's health-conscious consumer wants less ingredients and the industry is meeting the consumers' demands by taking out the very things that made its products popular in the past. It's selling by exception and "claiming one product is better than another because of something it doesn't have."

Although soft drinks have continued to grow in per capita consumption, the growth has come through products that position themselves as not having something the consumer is concerned about.

Today, less is best. The purer, the better. Virtually all we talk about is what's not in our product. Ingredient removal is leading the industry back to its beginnings: water.

It is no secret that man's primary choice of liquid beverage has always been water. Through the years, the industry has enhanced it with sweeteners, flavors, colors, attractive packaging, carbonation, caffeine and preservatives. The industry has been designing water in ways most appealing to the consumers. Yesterday's consumers!

Today, products are returning to something close to their original ingredient: water, man's first choice.

Just as strong consumer demand has stimulated the movement of soft drink beverages to those perceived as pure, with no "harmful" ingredients, there is also an explosive growth in the consumption of bottled water products—for the same reasons.

The health-conscious consumer has rapidly developed a distrust for the city water pouring from his faucet. And well he should.

If drought does not cause salt intrusion in coastal areas, then it causes acquifers to fall from overuse of existing supplies.

There is significant industrial contamination, and consumers are just beginning to find out how bad it really is. There are some communities today that are just not allowed to drink their municipal water source because it has been found to contain chemicals such as dioxin or EDB.

These, of course, are the worst cases, but reflect the entire trend in the country toward mistrust of tap water. Many of the rest of the world's developed countries are already drinking bottled water.

In America, bottled water is positioned as a beverage, either sparkling (carbonated) or still (non-carbonated). It can be mineral and salt-free like Syfo, a 100% purified product, or it can have varying levels of mineral and salt content.

While sparkling water represents only 24% of today's bottled water sales, it's the fastest growing segment of the carbonated soft drink industry. Its growth rate is more than double that of the industry. New York is a good example, for what's happening there is happening in a growing number of places throughout the United States. In 1978, sparkling water was 8% of total carbonated soft drink sales. By 1982, only four years later, it was well over 14% of total volume. Sparkling water covers a broad demographic base and should become a five or six share of the business in the next few years nationally.

Still water

Non-carbonated water, either with or without minerals, accounts for 76% of today's bottled water sales. And it is sold everywhere. Supermarkets now have entire "water sections," some nearly half as large as the total soft drink section.

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It is typically sold in one and 2½-gal. packages in these retail markets.

Eighty percent of all non-carbonated water gallonage is distributed in five and six-gal. bulk containers for water coolers and dispensers throughout the workplace and in the home. In the workplace, it accounts for the highest volume liquid consumption and is usually provided free to employees and customers.

Together, sparkling and non-sparkling bottled waters have become the fastest growing segment of liquid consumption. Average per capita consumption is now four gals., a 250% increase over 1977 levels.

By 1990, bottled water is projected to grow to 7.5 gals. per capita—five times the 1977 level. Annual increases have ranged from 11% up to 17% (not counting an increase of 43% in 1978).

By 1987, a 55% increase in volume over 1983 has been projected, with a doubling of 1983 volume by 1990. If bottled water is counted with soft drinks, it will be 12.5% of the soft drink business by 1990.

Soft drink bottlers should be in the bottled water business. It is essentially the same business: high volume liquid consumption distributed to the same customers soft drink bottlers are presently servicing.

Retail stores account for 40% of current bottled water sales, and are an important part of the store's beverage mix. Bottled water is often distributed from the store's warehouse on a limited delivery schedule.

Bottler's advantage

By adding bottled water products to their current product line, soft drink bottlers could claim an important boost in shelf space, cross merchandising and deal potential. They could also probably dominate the water displays because of the increased frequency of delivery by their established route system.

Work place locations account for another 30% of the bottled water sales volume, through coolers dispensing free water from five or six-gal. bottles to workers or customers in offices, shops, factories and commercial industrial locations—places where soft drink bottlers already have package goods and vending machine accounts.

These workplace locations are presently serviced by two-sources meeting their liquid refreshment needs: the soft drink bottler and the bottled water truck. Obviously, delivering both products from one truck makes eminent sense for soft drink bottlers.

An added bonus in commercial-industrial sales is the dispensing unit, the water cooler. Few businesses are as easily profitable as water cooler rentals: buy one for under $200, spend $50 selling and installing it, then earn $80 to $100 annually in rental during the 10 to 15-year life of the cooler. And take tax credit for fast depreciation. Coolers are warranted for five years and have a low maintenance cost. They represent additional dollars in bonus business for soft drink bottlers who expand into bottled water products.

Residential sales account for the final 30% of bottled water volume. It is the only area not already being serviced by soft drink bottlers. But it is coming.

With the advent of the new home beverage dispensing systems for soft drinks, soft drink bottlers will be looking for ways to get their syrups and dispensers into homes.

What better way to enter into residential locations than through a natural tie-in with pre-established bottled water routes—either on their own trucks or through independent distributors allied with them.

In Southern California, one of the most developed bottled water areas in the country, more than one in six homes have water delivered.

The largest bottled water company in Southern California, Arrowhead Puritas, was a subsidiary of Los Angeles Coca-Cola and both are part of Beatrice Food's beverage division.

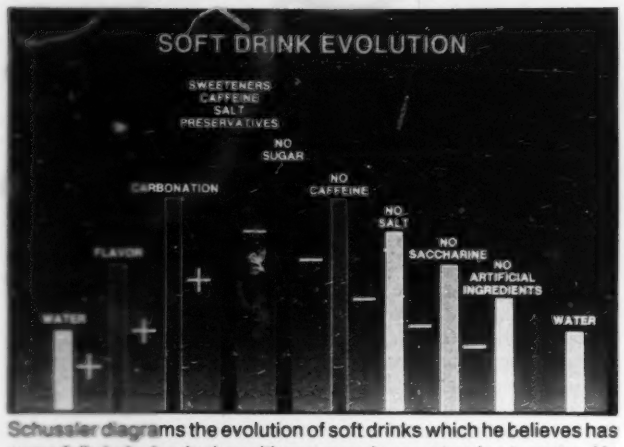
(Incidentally, Beatrice through its ownership of a number of regional bottled water companies across the United States, has the country's largest position in the bottled water business.)

Here is the bottom line. Soft drink bottlers are in the packaged beverage business now. They are servicing retail, industrial and commercial market places. By adding bottled water to their product line, they can share in the profits of the fastest growing segment of the beverage industry, plus set up entrance into the potentially profitable residential home soft drink dispensing market.

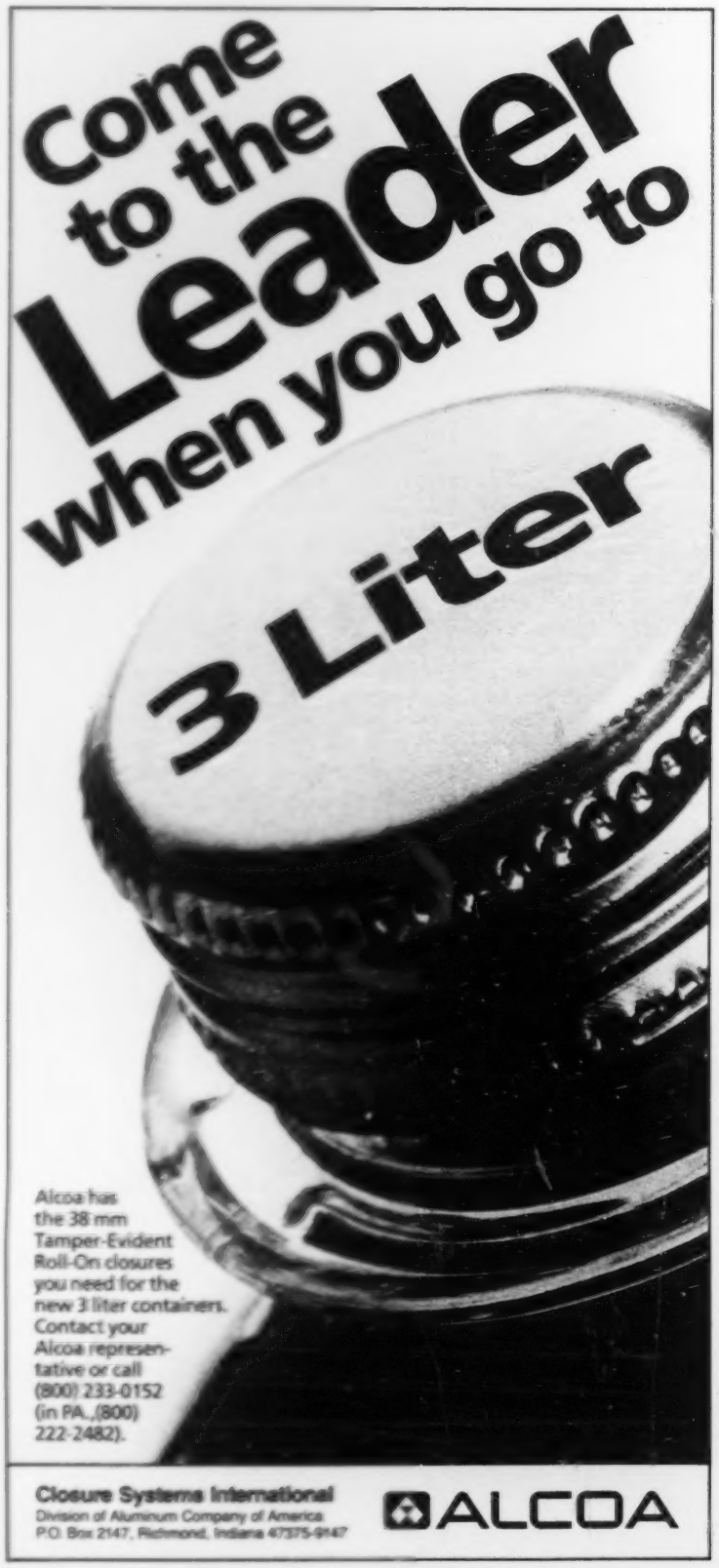
Bottled water is an integral part of soft drink consumption and soft drink bottlers should be in the bottled water business now. □

About the author

Jeffrey D. Schussler has a 20 year marketing and operations background in the soft drink and bottled water industries. He has broad experience in production management, distribution systems and marketing.
Since 1979, he has undertaken the integration of bottled water products into beverage distribution and production organizations. Under his leadership, Syfo has broadened into a full line, multi-regional franchiser of water products ranging from consumer packages of sparkling and non-sparkling water to bulk water delivery systems and equipment rental.
He is a graduate of the Wharton School at the University of Pennsylvania.



Schussler diagrams the evolution of soft drinks which he believes has come full circle, beginning with water and now returning to water. He points to the consumer as an explanation for this full circle swing and the consumer's belief today that "less is best." And he concludes: "Bottled water is an integral part of soft drink consumption and soft drink bottlers should be in the bottled water business now."



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BI Report

(Continued from page 1)
cross-Douglas Coca-Cola Bottling Co., a privately-held firm located in Waycross, GA. Details were not released, but sources said they will probably involve a transfer of both cash and securities. The deal is expected to be closed by the end of the month. In 1983, Waycross-Douglas had sales of $4.7 million.

■ CREPACO, a major supplier of aseptic processing equipment has acquired APV Equipment, Buffalo, NY. and will merge under the name, APV-Crepaco. Both firms are wholly-owned subsidiaries of APV Holdings PLC, Crawley, United Kingdom.

■ FDA has granted the soft drink industry an extension on sodium labeling until July 1, 1986, one year longer than other industries. The extension had been requested by NSDA.

■ LYNCH MACHINERY has acquired the packaging and bottle washing machinery products plus parts of Vickers Miller Hydro, Bainbridge, GA. The firm's Vickers Dawson line of fillers was not acquired although the new firm, Lynch Machinery-Miller Hydro Inc., will continue to service the equipment and supply spare-parts service. The new firm will also be based in Bainbridge.

■ ALLIED BEVERAGES Corp., owner of Pepsi-Cola franchises in Rochester and Syracuse has purchased Pepsi-Cola Bottling Co. of Hartford/Springfield and New Haven, CT, from W. Robert Lapapin. Robert Haley says the two firms will continue to operate as separate entities with current management in place.

■ BEATRICE'S two Coca-Cola franchises on the West Coast —San Diego/Hawaii and Los Angeles— have been consolidated and will operate as Beatrice Soft Drink Div.-West. Harold Tabor is executive vice president and COO of the new division. Bill Adams was named sr. vp of the division and president and CEO of the Coca-Cola Bottling Co. of Los Angeles.

■ CADBURY SCHWEPPES whose public stock offering is being backed by a number of leading U.S. analysts projects world wide beverage sales in 1984 to be up 9.5% to reach approximately $710 million.

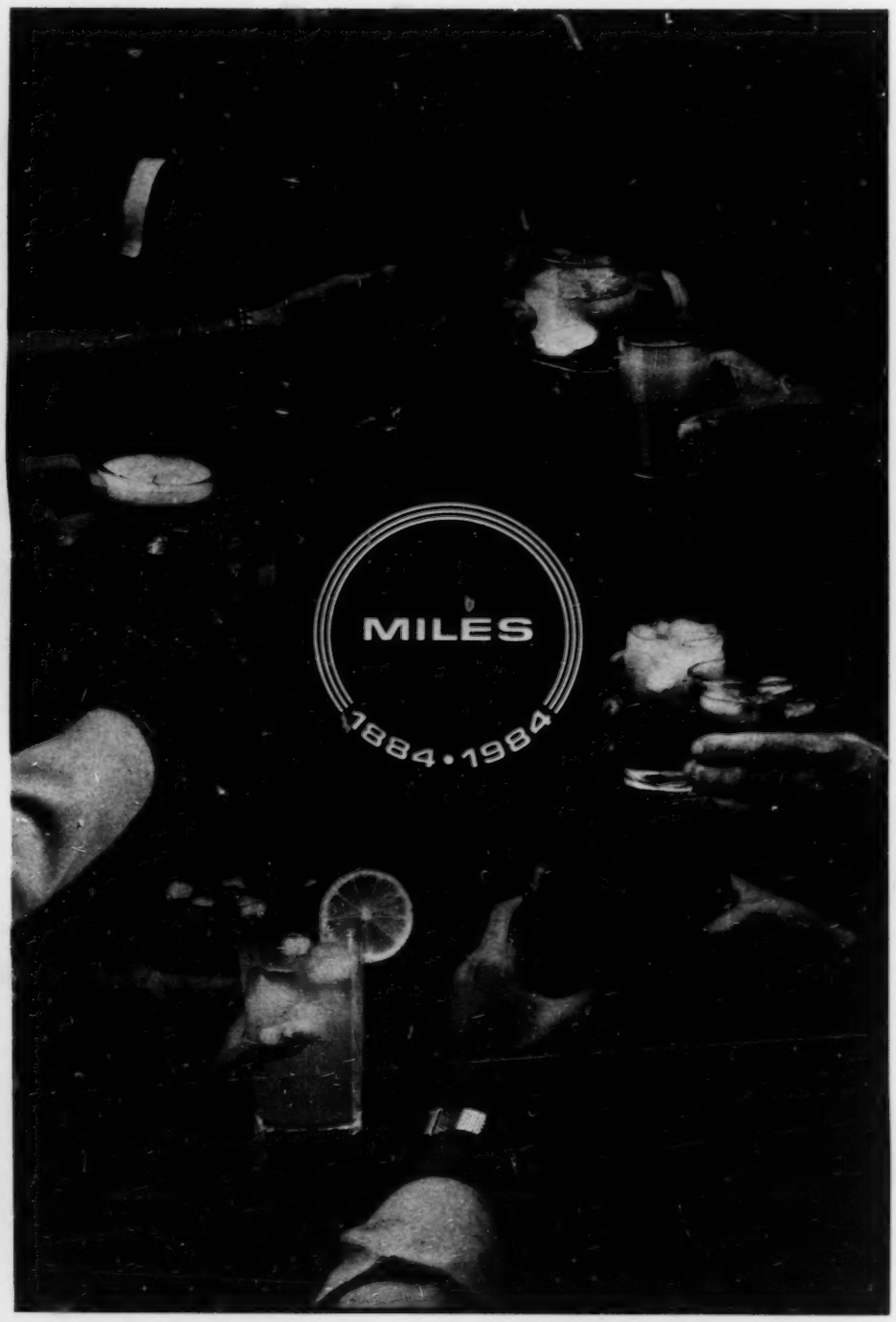
■ SNAPPLE Natural Fruit Juice and Soda Co., based in Ridgewood, NY, reports sales for '84 are up 40% over last year, compared to an overall growth rate of 25% for blended juices and natural sodas. At the end of the year, Snapple is in most major markets east of the Mississippi with 151 distributors offering store door delivery.

■ COCA-COLA Bottling Co., Dayton, has acquired the Schweppes franchise for an area covering seven counties in Ohio, four in Indiana, and 12 in Kentucky.

■ DAYTON COCA-COLA has acquired the franchise rights to Schweppes, Barq's and Vernors covering 11 central Ohio counties.

■ CALIFORNIA COOLERS has sued Loretto Winery, Ltd., makers of California Special Cooler, and Joseph Victori Wines, Inc., producers of Calvin Cooler. The company charges trademark infringement in the just-filed lawsuit. □

A Toast to our First Century, and Here's to the Next!



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Or to put it succinctly, here's to 2084!

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Biotech Products Division MILES

Study: Sales to hit 5.13 bil. cases by '93

(Continued from page 4)
facturer of caffeine-free drinks, designed to compete with lemon-line and other flavors, the report states.

Led by these two market segments, the overall soft drink category should expand at an annual rate of 3.7 percent over the coming decade.

This new report provides detailed statistics and analysis of the size, growth and projected growth of the overall soft drink business, as well as its individual market segments, including cola, orange, lemon-lime, root beer and other soft drink submarkets. Attention is also given to advertising and promotional strategies, packaging trends, pricing activity, new product introductions, distribution channels, company and brand share data, consumer demographics and more.

The U.S. Soft Drink Market: a Strategic Marketing Analysis and Biennial Review is available for $595. For further information on the report contact: Business Trend Analysts, 2171 Jericho Turnpike, Commack, NY 11725; (516) 462-5454. □

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Beverage Industry

AN HBJ PUBLICATION

JANUARY 1985

1984 TOP TEN BEER BRANDS

RANK	BRAND	MARKET SHARE	PRODUCTION (mil. bbls.)
1	Budweiser	24.2%	44.3
2	Miller Lite	9.9%	18.0
3	Miller High Life	7.9%	14.5
4	Coors	4.8%	8.7
5	Old Milwaukee	3.9%	7.1
6	Michelob	3.7%	6.7
7	Pabst	3.6%	6.5
8	Stroh	2.9%	5.3
9	Old Style	2.8%	5.1
10	Coors Light	2.5%	4.5

Beer consumption down .6% in '84

by Gary A. Hemphill
managing editor

EXCLUSIVE—For the first time in almost three decades, beer consumption in the U.S. declined last year. Final year end figures are 182.7 million barrels, down .6% from 1983's 183.8 million barrels.

According to John C. Maxwell, BI director of research/statistics, changing lifestyles and social pressures are the main reason for declining sales. "Peoples' lifestyles are moving away from alcoholic consumption as a whole and beer is suffer-

(Continued on page 68)

InterBev a success, over 21,000 attend

CHICAGO — Suppliers and visitors alike were in agreement that InterBev '84, the first of its kind, was a smashing success.

Statistics backed it up. Attendance reached 21,457 over the four-day show. The 445 supplier booths displayed the latest innovations in processing advances and services.

As the first international show, InterBev did its job in drawing that segment, as 2386 attendees from other countries gave their support.

Attendees were generally pleased with the international and industry-encompassing efforts of InterBev. "It gives you a better insight into what's going on in the industry," commented one visitor.

"I think it's great," said another. "You get to know more about your competitors, and also see the tie-ins now possible between the different beverage industries."

All facets of the industry turned out for the show, with registration forms indicating over 4,500 guests were involved in soft drinks, 574 in bottled water, 725 in beer, 445 in wine, 278 in spirits and 785 in juices. Not all attendees indicated a category.

Latest technology from the soft drink industry highlighted the show, but juice, wine, beer and spirits contributed to the presentations.

Particularly pleasing to suppliers was the enthusiasm of attendants, who were often seen buying equipment as much as browsing.

The traditional Bottler Breakfast and the Annual Meeting kicked off soft drink activities. Elected NSDA chairman was John L.D. Frazier, president of the Seven-Up Wichita Bottling Co., Wichita, KS, and chairman of the Seven-Up Fort Worth Bottling Co., Fort Worth, TX.

John A. Robertshaw, president of the Laurel Group Ltd., Greensburg, PA, was elected vice-chairman, and Bob W. Delauter, chairman of the Coca-Cola Bottling Co., Portland, IN, was elected Executive Board ex-officio.

A line-up of dynamic speakers rounded out the show, highlighted by a standing-room-only presentation by Donald R. Keough, president and CEO of The Coca-Cola Co.

(Continued on page 18)

Beverage lobbyists gearing for busy year

by Marty Westerman
Contributing Editor

WASHINGTON, DC — While most legislative activity on Capitol Hill is on hold, beverage lobbyists are preparing their positions and lining up needed political support.

Seven new Senate and 42 new House members were sworn in Jan. 3, and the 99th Congress won't start work until after President Reagan is inaugurated on the 21st.

Once in session, other topics will demand the immediate attention of politicians. "This first session of Congress will probably be frustrating for beverage interests," says an industry observer. "The deficit, the budget, tax and farm bill issues could push everything we want to do in the background."

Action on beverage sessions (except saccharin, whose moratorium runs out April 22) will probably be held up until late spring. Lobbyists are meanwhile asking key committee staff members to put their special interest proposals on committee working agendas. And they're encouraging their favorite congressmen to seek influential committee posts.

So, between now and May, beverage lobbyists will occupy themselves with two tasks. First, they will find congressional and committee allies who will introduce their legislation and block opposing proposals.

Second, they'll be monitoring beverage-related items in each of the hot-potato issues, so that support or opposition can be rallied as needed from politicians, beverage bottlers, wholesalers and allied business constituents.

"In this period, much of the die is cast for the ensuing session," comments Washington political analyst Dick Clark, "even though the session hasn't even been convened."

In the course of their activities, beverage lobbyists will attempt to block proposals to:

- Initiate a soft drink excise tax or raise beer and liquor taxes. These proposals may

(Continued on page 43)

BI Report

■ FTC is evaluating beer advertising again. Investigators for the commissison have asked major brewers and ad agencies to provide print ads and broadcast commercials. The group is particularly interested in ads which target the youth market and which may encourage under-age drinking.

■ HEILEMAN's acquisition of Pabst apparently has been resolved, but the future of Pabst's

(Continued on page 86)

BI Now Package

January 1985 marks the fiftieth anniversary of an American innovation, the beer can. Krueger Beer was the first, and on January 24, 1935, Krueger started canning beer for the first time commercially in American Can's "keglined" flat-top cans. See page 55.

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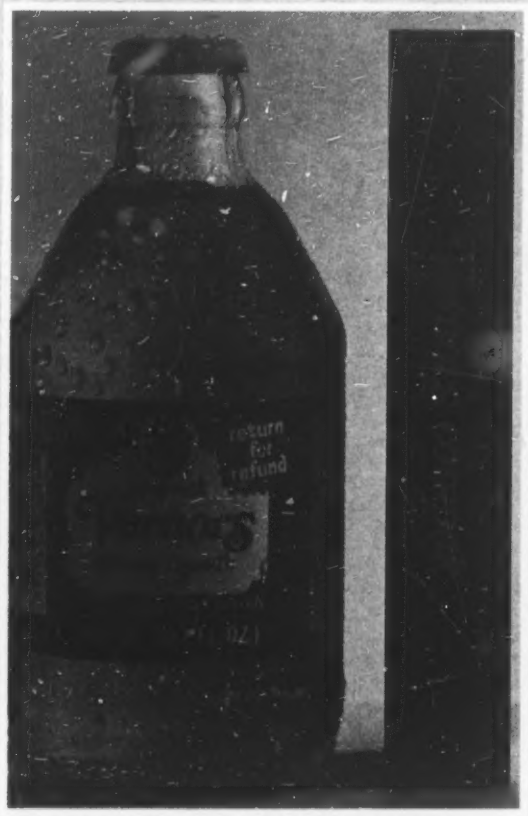


At six-inches high, Vernor's new Compak is easier to handle and more compact than other 10-oz. packages, the company reports.

Vernors' bottle targets single service market

DETROIT—Vernors Inc. is taking aim at the single service market with a 300-ml (10.1 fl. oz.) bottle that's been reshaped for convenience and costs considerably less than larger sizes.

At six inches, the new bottle, called Compak, is shorter than traditional 10-oz. packages, and is designed for easy handling and storage. It also costs less than slightly larger sizes.

"The people who have tried it love it, and the pricing seems to be right," Ken Misiak, vp-sales, told **Beverage Industry.**

While the rest of the soft drink companies are directing

(Continued on page 12)

Popular with beverage firms

Coupon use jumps 18%

GREENWICH, CT — Cents-off coupons are becoming an increasingly popular marketing tool, with manufacturers using 18% more of them during 1984 than the previous year, according to an analysis by the Packaging sector of American Can Co. And it appears the beverage industry is no exception.

Based on historical data compiled by A.C. Nielsen Co., the study estimates that 168 billion coupons will have been distributed by year's end, compared with 143 billion in 1983.

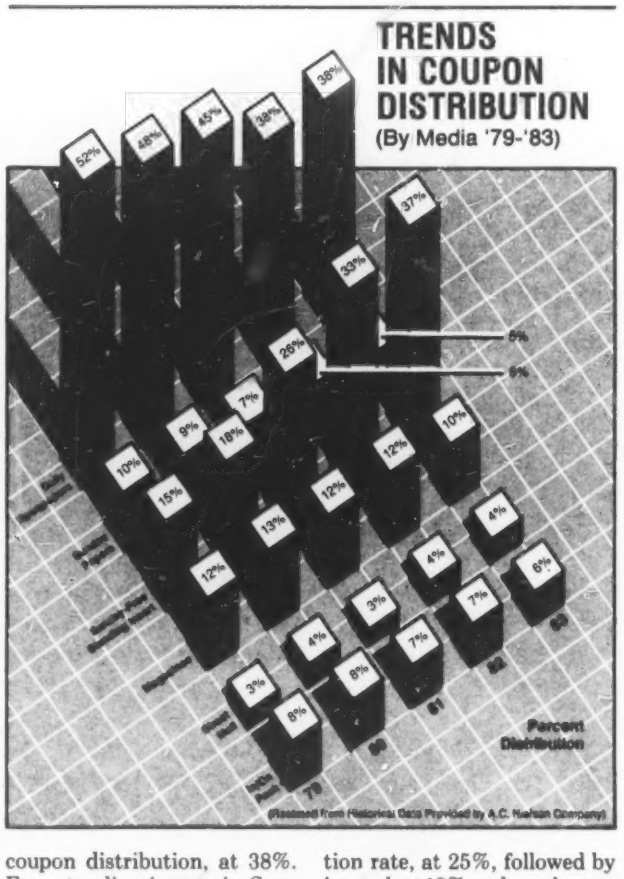
Beverage-related coupons accounted for 3% of all those redeemed, according to Zachary Tahmin, American Can manager, business research.

Consumers redeemed 213 million beverage coupons, compared with the national sum of 7 billion.

The total value of beverage and soft drink coupons redeemed during 1984 came to $50 million, compared with the total value of all coupons redeemed at $2.2 billion.

Interestingly, beverage manufacturers tend to offer high value coupons. The average face value of soft drink coupons was slightly higher than average, 25 cents compared to 24.1 cents.

Although declining in recent years, newspaper ads still represent the largest outlet for



coupon distribution, at 38%. Free-standing inserts in Sunday papers are the fastest-growing segment, jumping to 37% of distribution.

Instant on-pack coupons result in the greatest redemption rate, at 25%, followed by in-pack at 18% and regular on-pack at 12% redemption.

Grocery products account for 80% of redemption, with the remainder used for health and beauty aids. □

Mott's offers 100% juice in venders

STAMFORD, CT—Recognizing a consumer desire for juices away from home, Cadbury Schweppes Inc. is stocking vending machines in the Northeast with its Mott's brand 100% juices.

Ten-oz. cans of pure juice in five flavors are being offered in Connecticut by machine, and after a few months on the market, the company reports it's "delighted with the response.

"The really exciting thing is that people are showing they'll drink juice wherever they can find it," says Keith Jones, vp-juice marketing.

"Before, it was only available in stores for home consumption," Jones explains. "Since 100% juice is a different kind of product, it gives people a choice in vending situations."

Test Market

Still in a testing phase in the Northeast, Mott's, a division of Cadbury Schweppes, initiated the vending introductions through Pepsi-Cola Bottling Co. of Portsmouth, NH, placing machines in Portsmouth High School and Pease Air Force Base.

Since then, Mott's has invested in equipment of its own, and many Schweppes bottlers are hustling to alter venders to accommodate the smaller cans.

The Mott's line includes apple, apple-cranberry, apple-grape, orange and grapefruit juices. The company is counting on the brand name to encourage sales.

Because of its well-known name, no real market research was conducted before entering the market. "With the fact that Mott's has been the leading apple products company for 142 years, the research had already been done right in the marketplace," Jones says.

So far, it's paid off. "The throughput we've been getting in the machines more than justifies the cost of the equipment," he points out.

• For more information on **Mott's juice vending machines**, circle no. 280 on the reader service card. □

Coke tabs Mellett; Pepsi promotes Tidmore

PURCHASE, NY—Ronald Tidmore has been named president of Pepsi-Cola USA's Food Service Division.

A seven-year veteran of PepsiCo and for the last three years in charge of Pepsi-Cola USA sales, Tidmore will be responsible for fountain syrup business, selling to restaurants, cafeterias and fast food chains.

The promotion follows the move of former Pepsi-Cola USA executive Edwin Mellett to Coca-Cola USA last month. Mellett vacated the position to fill a $500,000-a-year executive vice president spot in Coca-Cola's Atlanta headquarters.

The hiring of Mellett is being considered as somewhat of a coup because he was credited with winning over the Burger King restaurant account last year. But Pepsi was undaunted.

"Ron Tidmore has proven himself as one of the most outstanding executives at PepsiCo," said Roger Enrico, president and CEO of Pepsi-Cola USA in making the announcement. "In the last two years, for example, Pepsi-Cola

Tidmore

(Continued on page 17)